

PART III

PART III

Review of the Level of Rates of Local Exchange and Interexchange Companies

This section of the report discusses local rate changes implemented from July 1, 1997, to June 30, 1998. It also includes current local rate levels along with long distance and access charge information. By request of certain local exchange companies, financial information, specifically the financial status of local exchange companies, has again been omitted from this report. As the local exchange market slowly becomes competitive, we acknowledge that some changes will need to be made in releasing information that could be used to gain a competitive advantage.

1. Basic Local Rate Changes

The Federal Telecommunications Act of 1996 is now two and a half years old. Since its enactment, 29 local rate increases have been implemented in Nebraska and five proposals are pending at this time. Of the 37 regulated local exchange carriers, 24 have increased local rates during this period. The number of increases since the Act exceeds the number of increases experienced by Nebraska customers for the previous 12 years spanning the period from Divestiture in 1984 to the passage of the Act in 1996.

In many cases, companies are re-balancing their rates by increasing their local rates and reducing their access charges. In a few cases, business customers are receiving lower local rates. Rates for residential service range from \$5.00 a month in Dalton to \$16.35 for customers served by Aliant and US West. Business rates range from a low of \$7.00 in Dalton to \$37.55 for customers served by US West.

The competitive local exchange carriers (CLECs) have priced their local service similar to those provided by the incumbent local exchange carrier. The CLEC tariffs filed with the Commission to date show the following residential and business rates:

Company	R-1	B-1
AT&T Digital Link	(1)	Measured Basis
TCG Standard Line	(1)	\$37.02
Aliant Midwest	\$16.00	37.00

Company	R-1	B-1
Cox Nebraska Telecom		
Flat Rate	\$17.65	\$35.00
Combination Service		
Flat Rate	15.89	35.00
2 nd Line	7.89	35.00
Firstel, Inc.	Mirror US West's Rates	
Nebraska Technology & Telecommunications		
Rate Group 1	16.35	37.55
Rate Group 2	8.22	14.83
Rate Group 3	9.88	17.83

(1) Company has no residential service offering at this time.

The following tables in this section reflect the rate changes since the Act was passed, historical rate changes, and current local service rates for all incumbent local exchange carriers.

**Local Basic Rate Changes
July 1, 1997 to Present**

COMPANY	DOCKET #	SERVICE	DATE FILED	DATE EFFECTIVE	PRESENT RATE	PERCENT INCREASE	NEW RATE
BENKELMAN	C-1643	RES.	10/27/97	1/1/98	\$10.70	29.91%	\$13.90
		BUS.	10/27/97	1/1/98	14.00	12.14	15.70
WAUNETA	C-1644	RES.	10/27/97	1/1/98	10.70	29.91	13.90
		BUS.	10/27/97	1/1/98	14.00	12.14	15.70
ALIAN T	C-1683	RES.(A)	11/18/97	3/10/98	13.75	18.91	16.35
		RES.(B)	11/18/97	3/10/98	12.65	29.25	16.35
		RES.(C)	11/18/97	3/10/98	12.10	35.12	16.35
		RES.(D)	11/18/97	3/10/98	11.00	48.64	16.35
		BUS.(A)	11/18/97	3/10/98	39.00	-19.49	31.40
		BUS.(B)	11/18/97	3/10/98	37.00	-15.14	31.40
		BUS.(C)	11/18/97	3/10/98	35.00	-10.29	31.40
		BUS.(D)	11/18/97	3/10/98	33.00	-4.85	31.40

COMPANY	DOCKET #	SERVICE	DATE FILED	DATE EFFECTIVE	PRESENT RATE	PERCENT INCREASE	NEW RATE
NEBRASKA CENTRAL	C-1767	RES.(A)	2/26/98	6/1/98	\$ 9.25	29.73%	\$12.00
		RES.(B)	2/26/98	6/1/98	9.70	23.71	12.00
		BUS.(A)	2/26/98	6/1/98	16.25	13.85	18.50
		BUS.(B)	2/26/98	6/1/98	14.30	29.37	18.50
		TRKS.(A)	2/26/98	6/1/98	19.25	-3.90	18.50
		TRKS.(B)	2/26/98	6/1/98	14.30	29.37	18.50
ARLINGTON	C-1864	RES.	7/27/98	PENDING	8.60	29.65	11.15
		BUS.	7/27/98	PENDING	12.80	29.69	16.60
BLAIR	C-1865	RES.	7/27/98	PENDING	10.15	29.56	13.15
ROCK CO.	C-1866	RES.	7/27/98	PENDING	9.65	29.53	12.50
		BUS.	7/27/98	PENDING	15.65	29.71	20.30
EASTERN	C-1867	RES.	7/27/98	PENDING	10.95	29.68	14.20
		BUS.	7/27/98	PENDING	16.95	29.79	22.00
US WEST	C-1874	RES.	7/31/98	PENDING			
		FLAT RATE SERVICE - BASE RATE			16.35	11.01	18.15
		ZONE A			17.60	10.23	19.40
		ZONE B			19.60	9.18	21.40
		ZONE C			22.10	8.14	23.90
		MEASURED 1 HOUR SERVICE - BASE			9.25	19.46	11.05
		ZONE A			10.50	17.14	12.30
		ZONE B			12.50	14.40	14.30
		ZONE C			15.00	12.00	16.80
		MEASURED 3 HOUR SERVICE - BASE			11.50	15.65	13.30
		ZONE A			12.75	14.12	14.55
		ZONE B			14.75	12.20	16.55
		ZONE C			17.25	10.43	19.05

COMPANY	DOCKET #	SERVICE	DATE FILED	DATE EFFECTIVE	PRESENT RATE	PERCENT INCREASE	NEW RATE
US WEST (CONTINUED)		MEASURED 6 HOURS SERVICE - BASE			\$13.45	13.38%	\$15.25
		ZONE A			14.70	12.24	16.50
		ZONE B			16.70	10.78	18.50
		ZONE C			19.20	9.38	21.00

Basic Local Rate Changes
Local Exchange Companies

Company	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	Previous Rate Change
Aliant	X	X						X		X		
Arapahoe		X										1979
Arlington	3											1976
Benkelman	X	X	X			X						
Blair	3											1978
Cambridge		X							X			
Clarks		X										1985
Consolidated		X										1974
Consolidated Telco		X										1973
Cozad		X										1983
Curtis		X	2									
Dalton												1973
Diller		X										1980
Eastern	3											1987
Eustis		X										1971
GTE			X									1987
Glenwood		X			X							
Great Plains		X							X			
Hamilton		X										1976
Hartington		X				X						
Hartman							1					1978
Home		X										1959
Hooper		X										1979
K & M												1984
Keystone-Arthur		X										1978
NEBCOM												
Nebraska Central	X											1987
Northeast												1974
Pierce												1987
Plainview			X							X		
Rock County	3											1976
Southeast Nebraska												1981
Stanton												1985
Three River		X										1978
United										X		
US West	3		X									1987
Wauneta	X	X	X			X						

(1) Proposed increase withdrawn after protests from 5 percent of subscribers were received.

(2) Petitions were received from customers for the Commission to review the rate proposal, and the application was approved on 9/30/97.

(3) Company has local rate increase pending.

NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES

Company	Exchange	B-1	R-1
Aliant		\$31.40	\$16.35
Arapahoe Tel. Co.	Group 1	13.25	10.50
	Group 2	37.55	14.90
Arlington Tel Co.	Arlington	12.80	8.60
Benkelman Tel. Co.	Benkelman	14.00	10.70
Blair Tel. Co.	Blair	20.80	10.15
	Ft Calhoun	20.80	10.15
	Kennard	20.80	10.15
Cambridge Tel. Co.	Bartley	15.90	13.40
	Cambridge	15.90	13.40
Clarks Tel. Co.	Clarks	17.55	12.35
	Staplehurst	17.55	12.35
	Ulysses	17.55	12.35
Consolidated Telco	Dickens	14.00	13.50
	Madrid	14.65	11.25
	Maywood	20.50	14.50
	Paxton	14.65	11.25
	Wallace	14.65	11.25
	Wellfleet	19.75	14.50
Consolidated Tel. Co.	Anselmo	10.10	6.70
	Arthur	18.50	11.00
	Ashby	19.75	19.25
	Bingham	19.75	19.25
	Brewster	10.10	6.70
	Brownlee	19.75	19.25
	Dunning	10.10	6.70
	Halsey	10.10	6.70
	Hyannis	10.10	8.30
	Merna	10.10	6.70
	Mullen	10.10	6.70
	Purdum	8.10	5.20
	Seneca	10.10	6.70
	Thedford	10.10	6.70
	Whitman	19.75	19.25
Cozad Tel. Co.	Cozad	11.00	7.00
Curtis Tel. Co.	Curtis	17.50	16.00

NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES

Company	Exchange	B-1	R-1
Dalton Tel. Co.	Bushnell	\$11.50	\$10.00
	Dalton	7.00	5.00
	Dix	11.50	10.00
	Gurley	7.00	5.00
	Lodgepole	7.00	5.00
Diller Tel Co.	Diller	9.75	9.75
	Harbine	9.75	9.75
	Odell	9.75	9.75
	Virginia	9.75	9.75
Eastern Neb. Tel. Co.	Belden	16.95	10.95
	Carroll	16.95	10.95
	Macy	16.95	10.95
	Meadow Grove	16.95	10.95
	Osmond	16.95	10.95
	Rosalie	16.95	10.95
	Walthill	16.95	10.95
	Winnebago	16.95	10.95
Eustis Tel. Exchange	Eustis	10.40	6.50
GTE North Inc.	Group I	14.83	8.22
	Group II	17.83	9.88
Glenwood Tel. Memb. Corp.	Bladen	17.55	11.70
	Blue Hill	17.55	11.70
	Campbell	17.55	11.70
	Funk	17.55	11.70
	Holstein	17.55	11.70
	Lawrence	17.55	11.70
	Norman	17.55	11.70
	Roseland	17.55	11.70
	Upland	17.55	11.70
Great Plains Comm.	Schedule A	20.00	14.00
	Schedule B	30.55	14.90
Hamilton Tel. Co.	Aurora	10.75	10.75
	Doniphan	10.75	10.75
	Giltner	10.75	10.75
	Hampton	10.75	10.75
	Hordville	10.75	10.75
	Marquette	10.75	10.75
	Phillips	10.75	10.75
	Stockham	10.75	10.75
	Trumbull	10.75	10.75
Hartington Tel. Co.	Hartington	16.55	10.70

NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES

Company	Exchange	B-1	R-1
Hartman Tel. Exchange	Danbury	\$ 9.50	\$ 9.50
	Haigler	9.50	9.50
	Lebanon	9.50	9.50
Home Tel Co. of Neb.	Brady	9.40	5.85
	Maxwell	9.40	5.85
Hooper Tel. Co.	Hooper	10.85	8.25
	Uehling	10.85	8.25
K & M Tel. Co.	Chambers	15.50	12.25
	Inman	15.50	12.25
Keystone-Arthur Tel. Co.	Keystone	17.50	14.50
	Lemoyne	17.50	14.50
NebCom	Allen/		
	Waterbury	37.55	14.90
	Butte	37.55	14.90
	Decatur	37.55	14.90
	Long Pine	37.55	14.90
	Spencer/		
	Bristow	37.55	14.90
	Stuart	37.55	14.90
	Winside	37.55	14.90
Neb. Central Tel. Co.	Group 1	18.50	12.00
	Group 2	18.50	12.00
	Group 3	31.50	14.90
Northeast Neb. Tel. Co.	Bartlett	7.75	5.25
	Clearwater	7.75	5.25
	Coleridge	7.75	5.25
	Craig	8.00	6.25
	Dixon	7.75	5.25
	Jackson	7.75	5.25
	Linwood/		
	Morse Bluffs	9.25	6.25
	Martinsburg	7.75	5.25
	Newcastle	7.75	5.25
	Obert	7.75	5.25
	Prague	9.25	6.25
	Weston	9.25	6.25
Pierce Tel. Co., Inc.	Hoskins	14.60	10.10
	Pierce	14.60	10.10
Plainview Tel. Co.	Plainview	19.50	15.50
Rock County Tel. Co.	Bassett	15.65	9.65
	Newport	15.65	9.65

NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES

Company	Exchange	B-1	R-1
Southeast Neb. Tel. Co.	Falls City Tri-City	\$27.50 27.50	\$10.50 10.50
Stanton Tel. Co. Inc.	Stanton	1st Line: 17.50 Ea Add'l: 16.50	1st Line: 17.50 Ea Add'l: 8.50
Three River Telco	Johnstown Lynch Naper Springview Verdel	13.25 13.25 13.25 13.25 13.25	11.70 11.70 11.70 11.70 11.70
United Tel. Co. of the West	Group 1 Group 2 Group 3	18.15 18.92 21.93	9.07 9.46 10.96
US West	Group A	37.55	16.35
Wauneta Tel. Co.	Wauneta	15.70	13.90

NEBRASKA LOCAL EXCHANGE CARRIERS

BASIC LOCAL EXCHANGE RATES

Company	Exchanges
Aliant:	Group A: Alvo-Eagle, Bennet, Ceresco, Clatonia, Cortland, Davey, Denton, Dorchester, Douglas, Dwight, Elmwood, Firth, Garland, Greenwood, Hallam, Hickman, Ithaca, Lincoln, Malcolm, Martell, Milford, Murdock, Palmyra, Panama, Plattsmouth, Pleasant Dale, Raymond, Seward, Unadilla, Valparaiso, Waverly Group B: Ashland, Crete Group C: Alexandria, Avoca, Barneston, Beatrice, Beaver Crossing, Bellwood, Benedict, Bradshaw, Brainard, Brock, Brownville, Bruning, Bruno, Burchard, Carleton, Cedar Bluffs, Colon, Cook, Cordova, Crab Orchard, David City, Dawson, Daykin, Deweese, DeWitt, DuBois, Dunbar, Edgar, Elk Creek, Fairfield, Fairmont, Filley, Glenvil, Grafton, Gresham, Hansen, Hardy, Harvard, Hastings, Jansen, Johnson, Julian, Juniata, Kenesaw, Liberty, McCool, Mead, Murray, Nemaha, Octavia, Ohioa, Ong, Otoe, Pawnee City, Peru, Pickrell, Plymouth, Polk, Rising City, Ruskin, Shelby, Shickley, Steele City, Steinauer, Sterling, Superior, Surprise, Sutton, Swanton, Syracuse, Table Rock, Talmage, Tamora, Union, Utica, Waco, Weeping Water, Western, Wymore, Yutan Group D: Adams, Auburn, Burr, Clay Center, Davenport, Exeter, Fairbury, Friend, Geneva, Guide Rock, Hebron, Humboldt, Louisville, Milligan, Nebraska City, Nehawka, Nelson, Osceola, Stromsburg, Tecumseh, Tobias, Wahoo, Wilber, York
Arapahoe:	Group 1: Arapahoe, Hendley, Holbrook Group 2: Brule, Farnam, Loomis, Overton
Great Plains Communications:	Schedule A: Archer, Arnold, Bancroft, Beemer, Bloomfield, Bryan, Callaway, Center, Chapman, Chester/Hubbell/Reynolds, Cotesfield, Creighton, Crofton, Deshler, Dodge, Elgin, Ewing, Grant, Hay Springs, Hayes Center, Herman, Huntley/Ragan, Imperial, Indianola, Kilgore, Merriman, Mirage Flats, Niobrara, North Bend, Oakdale, Oconto, Page, Palisade, Petersburg, Ponca, Red Cloud/Riverton, St. Edward, Scribner, Snyder, Stapleton, Sutherland, Tryon, Venango, Verdigre, Walnut, Wausa, Wilcox, Winnetoon, Wisner, Wolbach, Wood Lake, Wynot Schedule B: Cedar Rapids, Cody, Crookston, Culbertson, Gordon, Rushville, Stratton, Spalding, Trenton
GTE:	Group 1: Albion, Alma, Amherst, Battle Creek, Beaver City, Bertrand, Bloomington, Brunswick, Duncan, Edison, Franklin, Genoa, Greeley, Heartwell, Hildreth, Leigh, Lindsay, Madison, Miller, Monroe, Naponee, Neligh, Newman Grove, Riverdale, Stamford, Sumner, Tilden, Wilsonville Group 2: Columbus, Kearney
NebCom, Inc.:	Allen-Waterbury, Butte, Decatur, Long Pine, Spencer-Bristow, Stuart, Winside
Nebr. Central:	Group 1: Ansley, Arcadia, Comstock, Gibbon, Sargent, Shelton Group 2: Burwell, Erickson, North Loup, Scotia, Taylor, N. Burwell Group 3: Ashton, Boelus, Dannebrog, Elba, Litchfield, Mason City, Ravenna, Rockville
US West:	Group A: Ainsworth, Alliance, Atkinson, Atlanta, Axtell, Belgrade, Bennington, Big Springs, Bridgeport, Broken Bow, Cairo, Central City, Chadron, Clarkson, Crawford, Creston, Dakota City, Elkhorn, Elm Creek, Elwood, Emerson, Farwell, Fremont, Fullerton, Gothenburg, Grand Island, Gretna, Harrison, Holdrege, Homer, Howells, Humphrey, Laurel, Lexington, Loup City, Lyons, McCook, Minden, Norfolk, North Platte, Oakland, Ogallala, Omaha, O'Neill, Oxford, Pender, Pilger, Primrose, Randolph, St. Libory, St. Paul, Schuyler, Sidney, Silver Creek, South Sioux City, Springfield, Tekamah, Valentine, Valley, Wakefield, Waterloo, Wayne, West Point, Whitney, Wood River
United Telephone Company of the West:	Group 1: Bayard, Broadwater, Chappell, Lewellen, Lyman, Minatare, Mitchell, Morrill, Oshkosh, Potter Group 2: Kimball Group 3: Gering, Scottsbluff

2. Federal and State Universal Service Funds and Nebraska Universal Service Advisory Board

Pursuant to LB 686, the 1997 Legislature authorized the creation of a state universal service fund. The fund, while not yet operational, is intended to assist low-income customers, as well as customers in high-cost, rural areas, obtain affordable basic local service. LB 686 also makes assistance available for schools, libraries, and health care providers. The financial size of the fund is unknown at this time, as several variables remain unanswered. The state fund will supplement the federal fund. Access charge reform has not been completed, which may heavily impact a state fund. Some local companies rely on access charges as a significant source of revenue. The Commission has opened a docket (C-1628) to review the structure of access charges in Nebraska.

LB 686 directed the Public Service Commission to oversee the fund and the administrator, if a third-party administrator is selected. The legislation also created an advisory board whose members are appointed by the Commission. The advisory board, by statute, will include the following representatives: one member to represent the Commission; one member to represent elementary and secondary schools; one to represent libraries; one for rural health care providers; two members, but not more than three, shall represent telecommunications companies; and one member, but not more than two members, shall represent the public. The advisory board is to provide recommendations to the Commission, as well as recommend the services to be supported by the fund. Additionally, the functions of the board will be to monitor the Lifeline/Link-Up program penetration levels, provide guidance on the level of State funding, review the administration of the fund, and assure that all support received by carriers is competitively neutral.

The following members serve on the advisory board:

- 1) Floyd Olson - Representing the Commission;
- 2) Alan Wibbels - Representing elementary and secondary schools;
- 3) Rod Wagner - Representing libraries;
- 4) Ted Schultz - Representing health care providers;
- 5) Vacant - Representing telecommunications industry;
- 6) Charles Fast - Representing telecommunications industry;
- 7) Bob Lanphier - Representing telecommunications industry;
- 8) Richard Fleming - Representing the public; and
- 9) Dave Rosenbaum - Representing the public.

Issues that will require increased involvement and evaluation by the board include:

- The 25/75 percent federal/state support split. The 25/75 decision is based on the Federal Communications Commission's (FCC) determination that the federal fund will provide at least 25 percent of the total support necessary for non-rural carriers serving rural, insular, and high-cost areas (collectively known as "high-cost areas"). The FCC originally determined that non-rural carriers would begin to receive support based on forward-looking economic cost beginning January 1, 1999. However, that date was subsequently changed to July 1, 1999. The challenge before the board would be to determine the disproportionate share of the federal funding the state will have to pick up as well as the state's share.
- Access Reform Initiative and Docket C-1628 which evaluates state universal service

funding and intrastate access charge reform. To the extent implicit subsidies in access charges can be identified, a state universal funding mechanism could be utilized to create explicit subsidies with the intent of reducing access charges. The board could be instrumental in determining the size of this state universal service fund.

- Lifeline/Link-Up program activities: 1) Educating the elderly and low-income individuals regarding the program; 2) Agencies involved in community services need to be educated regarding this program; and 3) Directors of Federal Housing Assistance programs, likewise, need to inform their tenants.

The Commission greatly appreciates the efforts of these members who donate their time and expertise to ensure that the goals of universal service in Nebraska are met.

The following table shows by company the projected universal service fund payments for 1997.

Federal Universal Service Fund			
Company	Access Lines	Projected View USF Payments 1997	Projected USF Per Line Monthly
Arapahoe	2,594	\$ 246,417	\$ 7.92
Arlington	1,085	110,117	8.46
Benkelman	1,266	438,413	28.86
Blair	8,372	0	0.00
Cambridge	1,388	238,462	14.32
Clarks	1,034	145,375	11.72
Consolidated Telco	1,593	66,498	3.48
Consolidated Tel.	3,033	223,426	6.14
Cozad	2,921	0	0.00
Curtis	848	354,945	34.88
Dalton	1,313	312,609	19.84
Diller	960	32,436	2.82
Eastern Nebraska	2,906	256,266	7.35
Elsie Mutual	217	60,608	23.27
Eustis	489	16,869	2.87
GTE Midwest	57,537	0	0.00
Glenwood	2,673	203,221	6.34
Great Plains	33,078	1,182,571	2.98
Hamilton	6,304	160,755	2.13
Hartington	1,614	0	0.00
Hartman	451	128,122	23.67
Hemingford Co-op	967	100,930	8.70
Henderson Co-op	1,030	11,831	0.96
Hershey	844	16,371	1.62
Home	845	31,539	3.11
Hooper	1,285	35,934	2.33
K & M	662	27,286	3.43
Keystone-Arthur	643	100,419	13.01
Aliant	279,581	0	0.00
Nebraska Central	9,067	232,038	2.13
Northeast Nebraska	7,094	279,578	3.28
Pierce	1,875	28,911	1.28
Plainview	1,175	6,249	0.44
Rock County	1,040	290,355	23.27
Sodtown	85	13,911	13.64
Southeast Nebraska	4,252	804,999	15.78
Stanton	1,183	226,364	15.95
Three River	1,343	120,789	7.49
U.S. West	522,260	0	0.00
United Telephone	27,852	0	0.00
Wauneta	685	400,822	48.76
TOTAL	995,444	\$6,905,436	

3. Commission Audits

The Commission's authority to review local rate increases is invoked if either (1) the rate increase is petitioned by a certain percentage of the affected customers, or (2) if the rate increase exceeds a certain annual percentage. Companies having less than 5 percent of the state's access lines (approximately 50,000) may propose increases up to 30 percent per year and be subject to the petition process. This process allows customers to petition the Commission for a determination of the local rate. Companies serving more than 5 percent of the state's access lines are limited to annual increases up to 10 percent under the petition process. The percentage of customers needed to bring the matter before the Commission varies with the size of the company involved. All proposed increases which exceed these guidelines are automatically reviewed by the Commission.

Curtis Telephone Company proposed increasing residential rates from \$13.50 to \$16.00, maintaining its current business rates, and lowering its access charges in a revenue-neutral proposal subject to the petition process. A sufficient number of petitions in opposition to the rate increase were filed with the Commission. Therefore, staff reviewed the company's financial information and the Commission held a hearing on the matter. The staff found the increase in local rates and reduction in access rates to be reasonable, and the Commission granted the application in September of 1997.

Aliant Communications filed an application with the Commission under provisions of LB 660 proposing to increase local rates, decrease business rates, decrease toll rates, and decrease one element of their access charges. The statutory requirements relevant to this filing provide that the company must prove that the rate changes proposed will not increase the company's aggregate annual revenues by more than 1 percent and that the basic local rate does not exceed the actual cost of providing local service.

The Commission received testimony and held a hearing on the application in February of 1998. The application was approved in March of 1998 resulting in the following rates:

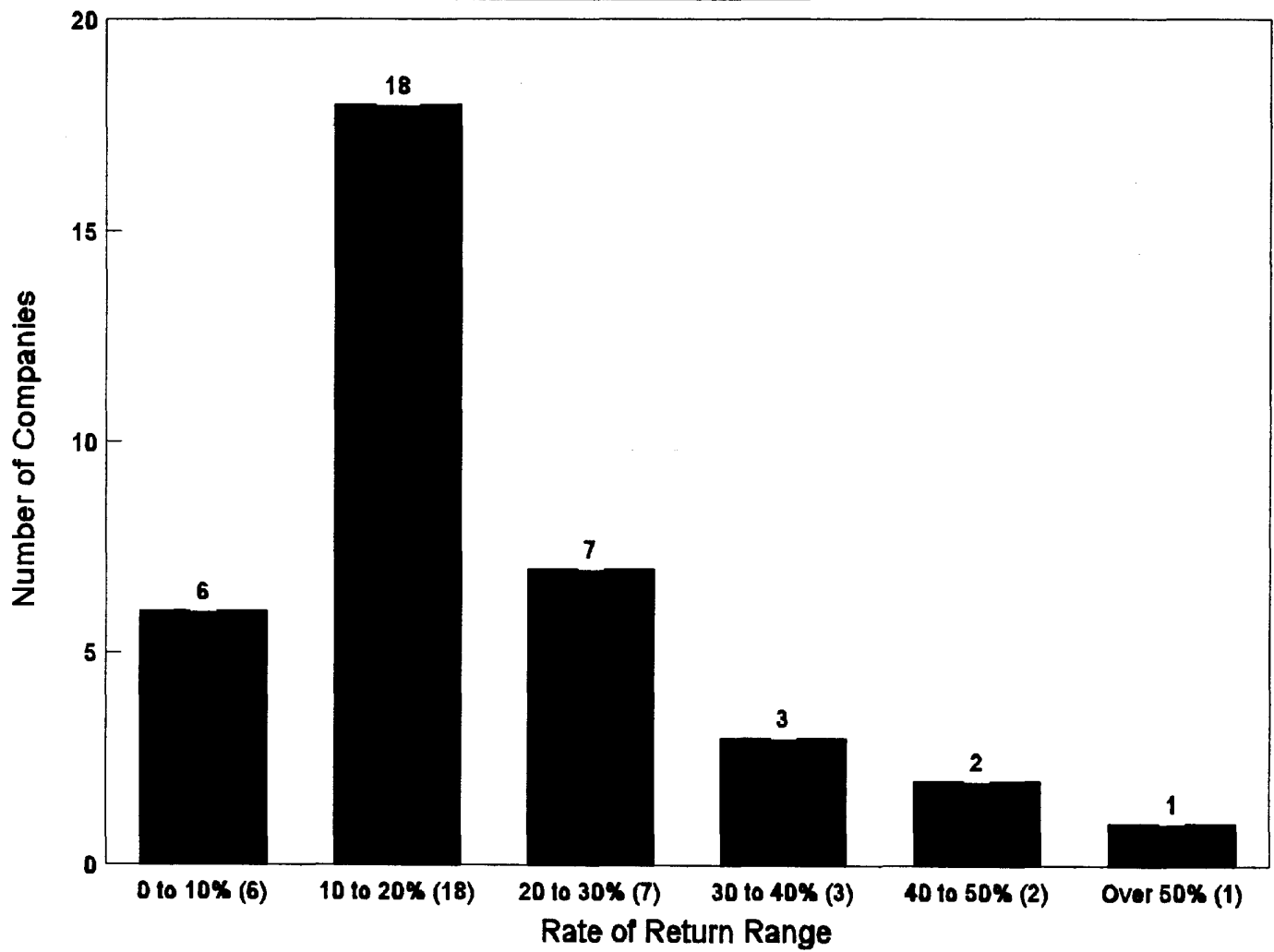
Service	Rate
Residential one-party service (includes touch tone)	\$16.35
Business one-party service (includes touch tone)	\$31.40
IntraLATA long distance calling - per minute	\$.13

4. Financial Statistics

The financial information related to local exchange company earnings is not being reported for 1997. Competition is being introduced into this market and company-specific data may reveal competitively-sensitive information. The annual reports filed by local exchange companies remain available at the Commission.

Nebraska Local Exchange Carriers

1997 Rate of Return



5. Long Distance Telephone Rates/Access Charges

A. Competition in the Long Distance Market

The Commission has authorized in excess of 250 long distance carriers to compete in the Nebraska market. Some of these carriers use their own facilities to provide service but most are resellers using existing networks. This last year, the Commission has issued three certificates to incumbent local exchange carriers to provide long distance service as an interexchange carrier in their own service area. Almost all Nebraska subscribers have their choice of carriers for interLATA calling (calls originating in one LATA and terminating in another LATA). Customers who wanted to use their carrier of choice for intraLATA calls could do this only by using a dial-around method, such as 10-10-321 plus the long distance number.

In a Commission order entered September 15, 1997, local exchange carriers were ordered to open the intraLATA toll market to competition by requiring the implementation of intraLATA dialing parity. The provisions of the order require incumbent local carriers to allow customers to choose their intraLATA carrier, sometimes referred to as a local toll provider. By December 31, 1998, all carriers, with the exception of US West, must provide this option for their customers or apply for a waiver or extension from the Commission. Provisions of the Federal Telecommunications Act prevent the Commission from requiring US West to provide this option by December 31, 1998, but they are required to provide it by February of 1999 (three years after the Act was passed).

B. Access Charges/Universal Service Fund

The issue of the removal of implicit subsidies from all services, including access charges, became law with the Federal Telecommunications Act of 1996. At that time, the Commission set up a task force to compile public comment and develop a plan for implementation of a Nebraska universal service fund. Its report in July of 1997 indicated in part, "To the extent that intrastate access revenues are reduced, these reductions may need to be replaced by a Nebraska universal service fund."

The Nebraska Legislature in the 1997 session adopted the Nebraska Telecommunications Universal Service Fund Act. One of the principles identified by the Legislature as supporting the Act was that "the implicit support mechanisms in the intrastate access rates throughout the state may be replaced while ensuring that local service rates in all areas of the state remain affordable."

The Commission, in September of 1997, consolidated its investigation of intrastate access charges and the need for a state universal service fund. Subsequent orders were issued by the Commission in October of 1997 and in January of 1998 to study these issues and provide for a comment period for interested parties by April of 1998.

In May of 1998, a ballot initiative was filed with the Secretary of State which if adopted by voters during the November election will mandate that the Commission set access charges using forward-looking costs and eliminate implicit subsidies. The petition initiative has been successful, and the matter will appear on the November ballot. In July of 1998, the Federal Communications Commission (FCC) delayed its implementation of the federal universal service fund for non-rural

carriers until July 1, 1999. Based on these developments, this Commission issued an order in August providing for an additional period for parties to amend their comments filed in this proceeding. Under provisions of the order, amended comments were filed and the Commission issued preliminary findings and conclusions on October 2, with hearings to begin October 27, 1998.

The largest element of access charges which has been the subject of controversy is the carrier common line element. It is argued by some that this element has no cost and represents a subsidy to other services, while other parties argue that long distance companies should be paying this cost as a part of the connection to the local network. In Nebraska, the access charge structure was implemented by the Commission in 1987. The carrier common line rates were set at that time, and some changes have taken place on a voluntary basis since that time. The attached schedule reflects the current carrier common line rates for the local exchange carriers in Nebraska.

**Access Charges - Carrier Common Line Rates
Local Exchange Companies**

Exchange	Originating Per Minute	Terminating Per Minute
Aliant	\$0.0288	\$0.0288
Arapahoe	0.0880	0.0880
Arlington	0.0312	0.0312
Benkelman	0.1575	0.1575
Blair	0.0316	0.0316
Cambridge	0.1379	0.1379
Clarks	0.0688	0.0688
Consolidated	0.0580	0.0580
Consolidated Telco	0.0330	0.0330
Cozad	0.0384	0.0384
Curtis	0.1578	0.1578
Dalton	0.0835	0.0835
Diller	0.1159	0.1159
Eastern	0.0456	0.0456
Elsie	0.0951	0.0951
Exchange	Originating Per Minute	Terminating Per Minute
Eustis	\$0.0421	\$0.0421
Glenwood	0.0508	0.0508
Great Plains	0.0200	0.0300

GTE	0.0100	0.04304
Hamilton	0.02869	0.02869
Hartington	0.0616	0.0616
Hartman	0.1600	0.1600
Hemingford	0.1103	0.1103
Henderson	0.0536	0.0536
Hershey	0.0286	0.0286
Home	0.0380	0.0380
Hooper	0.0334	0.0334
K & M	0.1085	0.1085
Keystone-Arthur	0.1481	0.1481
NebCom, Inc.	0.0408	0.0408
Nebraska Central	0.0425	0.0425
Northeast	0.0408	0.0408
Pierce	0.0346	0.0346
Plainview	0.0466	0.0466
Rock County	0.0995	0.0995
Sodtown	0.0366	0.0366
Southeast Nebraska	0.1730	0.1730
Stanton	0.0720	0.0720
Three River	0.1020	0.1020
United	0.0294	0.0695
US West Zones 1 and 2	0.0200	0.0270
US West Zone 3	0.0224	0.0415
Wauneta	0.1575	0.1575

6. Long Distance Carriers

During the last year, 71 companies filed for long distance authority. There are over 250 long distance companies certificated to operate in the state. Long distance companies may offer any combination of pre-subscribed 1+ services, operator services, calling cards, debit cards, and 800/888 services. Most companies serve both residential and business customers; however, some focus solely on providing service to payphones and inmate facilities.

Part IV

PART IV

Recommendations for the 1998 Legislative Session

1. Removal of the Sunset Date on the Universal Service Fund Act.

With the passage of LB 686 in 1997, the Legislature created the Nebraska Universal Service Fund Act. That act authorized the Commission to establish a universal service fund that, in conjunction with federal universal service funds, would ensure that all Nebraskans have comparable access to telecommunications services at affordable prices. The provisions authorizing a state universal service fund are due to expire June 30, 1999. The Commission has worked toward both the promotion of competition and the assurance of universal service. As competition grows in local phone markets, the implicit subsidies that historically kept phone service affordable will disappear. As this happens, the need for a state universal service fund is drastically exacerbated. The Legislature should consider abolishing the sunset date written into LB 686 (1997), thereby providing a stable and reliable mechanism to transition to cost-based access charges and explicit high-cost support.

2. Judicial Deliberations and Ex Parte Communications

Like other public bodies, the Public Service Commission is bound by the state's open meetings laws. In most instances, this is appropriate. The Commissioners are elected officials. Actions taken as such should be open to public scrutiny, and members of the public should have access to their representatives.

However, unlike most public bodies, the Commission must also function in a judicial capacity. Sophisticated parties ask the Commission to make multimillion dollar decisions. Appeals from Commission rulings, like those from District Court, are heard by the Court of Appeals. However, unlike a judicial body, whenever a quorum of Commissioners wants to discuss the merits of a case, it must be done in a public forum. This means that the Commission cannot fully deliberate upon issues unless it does so in the presence of the effected litigants. This restriction greatly hinders the Commission's ability to make sound, consistent, well reasoned, and thoughtful decisions.

When applied to the Commission, the state's open meetings and ex parte laws should recognize the multifaceted nature of the Commission. Ex parte communications should continue to be allowed to elected officials if it does not concern a contested case. In such an instance, the Commission should continue to be bound to the open meetings restriction that all business of a quorum of the Commission be conducted in public.

However, when the Commission is operating in a judicial capacity it should be treated like judges. It should have the ability to deliberate outside of the gaze of the effected litigants, and the ex parte restrictions on judges should also apply to Commissioners.

3. Scope of Authority in Light of Supreme Court's McLeod Ruling

Prior to the passage of the Federal Communications Act of 1996, US West removed one of

its services (centrex) from its tariff. In doing so, it provided that centrex would continue to be available to existing customers for a "grandfather" period. When the Act passed, it provided that any tariffed service must be made available to competitors at a wholesale rate. MCI, McLeod, and AT&T filed formal complaints with the Commission alleging that US West's action violated the law and was anti-competitive. The Commission held a hearing and a majority determined that US West's actions were appropriate. The complainants appealed the Commission's order to the Court of Appeals, and the Supreme Court took jurisdiction of the matter. On its own motion, the Court ruled that under Neb. Rev. Stat. § 86-811, the District Court, and not the Commission, had jurisdiction to hear the complaint. This ruling creates a question as to the scope of the Commission's jurisdiction. Particularly, in light of Neb. Rev. Stat. § 75-131 (which was not addressed by the Court), which provides in part:

That any person who complains of anything done or omitted to be done by any common or contract carrier may request that the Commission investigate and impose sanctions on such carriers by filing a petition which briefly states the facts constituting the complaint.

Therefore, the Legislature should examine where the bounds of the Commission's jurisdiction lie in light of the Court's ruling to ensure that it comports with the Legislature's intentions.

4. Public Entities Offering Telecommunications Services

The subject of whether public entities in Nebraska can enter the telecommunications market should be the subject of debate during the 1999 legislative session. In 1997, the Legislature removed the explicit statutory barrier prohibiting public power districts from offering telecommunications services. However, explicit authority granting public power districts the ability to provide such service was not given.

The Nebraska Public Power District (NPPD) has provided special services in and around Norfolk to the schools, library, and the city. The Commission held a hearing in March 1997 to determine whether the services NPPD was offering were "telecommunications services" and therefore subject to regulation. After receiving the evidence, the Commission found NPPD was indeed offering telecommunications services. The Commission requested the Attorney General to advise on how it should proceed. The Attorney General's Opinion, No. 97045, stated the Commission could not issue a certificate to NPPD, nor could NPPD legally provide such services as no public power district had statutory authority to offer telecommunications services. Accordingly, the Commission ordered NPPD to cease and desist from offering such services. That order is currently under appeal to the Nebraska Supreme Court. Given this legal opinion, it is likely the power districts will be approaching the Legislature requesting statutory authority to provide telecommunications services. However, the purpose of the Telecommunications Act of 1996 was

to replace economic regulation with robust competition as the primary protection of consumer interests in telecommunications markets. Effective competition cannot exist if private companies are asked to compete with publicly-supported arms of government, such as NPPD.

5. Rulings Held in Abeyance During Appeal

An issue that arose in NPPD's appeal of the Commission order discussed above is that under Neb. Rev. Stat. §75-134, Commission orders are held in abeyance during an appeal (with a few exceptions). While in many circumstances this may be appropriate, there are some situations where holding a Commission order in abeyance could put the public at risk. For example, if an uninsured taxicab carrier is allowed to continue to operate under appeal of a cease and desist order, the public has no recourse if injured while riding with that carrier. Further, the Commission would have no way to verify that its drivers have sound records or that the vehicles are properly maintained. This section should be amended to state that Commission orders are not held in abeyance during appeal unless the appellant can demonstrate that 1) the enforcement of the order would cause irreparable harm to the carrier, and 2) that holding the order in abeyance will not jeopardize the interests of the public in health, safety, or welfare.

6. 911 Surcharge of Wireless Service

One issue that may be before the Legislature in 1999 will be whether to assess 911 surcharges to both cellular and personal communications services (PCS) customers. Currently, pursuant to statutory mandate, cellular customers pay monthly surcharges to support the Nebraska Relay System. However, no such statutory mandate exists to fund 911 centers. This has been noticed to be a significant amount of untapped revenue for the emergency centers, and some have advocated to the Commission that wireless customers should also be required to pay 911 surcharges as they place a significant percentage of the emergency calls.

Part V

PART V

Applications and Tariffs

The Commission received a total of 254 applications during the period of July 1, 1997, to June 30, 1998. One of the principal reasons for this activity was passage of the Telecommunications Act of 1996, which prompted telecommunications providers to apply for local certification and to begin negotiation procedures to determine the terms and conditions of their market entry. During this period, 13 applicants filed for local certification and 16 requests for approval of negotiated interconnection agreements or adoption of Commission-approved interconnection agreements were received.

Following is a summary of applications filed with the Commission during this period:

Type of Application	Number Filed
Local Certification	13
Reseller Certification	71
Amend Certification	61
Cease and Desist	6
Boundary/LEC	7
Boundary/Customer	0
Depreciation	2
Rate Increase/LEC	4
Loan	4
Commission Initiated	11
EAS	51
Interconnection	16
Other	8
TOTAL	254

Over 600 tariff filings were filed with the Commission; therefore, they have been omitted from this year's report. Individual applications and tariff listings can be obtained upon request.